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NEWS RELEASE

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PSC GRANTS RATE CHANGE TO CUMBERLAND VALLEY ELECTRIC
Increase is first since 1980

FRANKFORT, Ky. (June 2, 2006) – The Kentucky Public Service Commission (PSC) today granted a rate increase to Cumberland Valley Electric, Inc.

The increase – the rural electric cooperative's first in 26 years – would raise the average monthly residential bill to \$76.76, up \$5.10 (7.1 percent) from \$71.66. The order approves the proposed rates put into effect by Cumberland Valley on Feb. 4, as permitted by state law.

In an order issued today, the PSC said the increase was necessary in order for Cumberland Valley's revenue to keep pace with expenses and stay within financial guidelines established by the Rural Utility Service (RUS), the federal agency which provides low-interest loans to rural electric cooperatives.

Cumberland Valley, based in Gray, has 23,000 retail customers in Bell, Harlan, Knox, Laurel, Leslie, Letcher, McCreary and Whitley counties. It purchases its power from the East Kentucky Power Cooperative.

In today's order, the PSC noted that information arising out of the rate review had raised questions about certain aspects of Cumberland Valley's operations. Therefore, the PSC ordered that a focused management audit be conducted to review the cooperative's management, its business and operating policies and procedures, its financial accountability and the role of its board of directors.

Cumberland Valley has said it has no objection to the audit. The audit will be conducted by an independent third party and paid for by Cumberland Valley.

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Today's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2005-00187.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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